

State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to the FY 08 Public Employees' Retirement Systems  
Employer and State Contribution Rate

Resolution 2007-20

WHEREAS, in September 2006 the Alaska Retirement Management Board (ARMB) set the FY 2008 Public Employees' Retirement Systems (PERS) defined benefit plan employer rates at an average of 39.76 percent based on the level dollar funding method, which is required for a closed plan, and using a 25-year period to amortize the unfunded liability; and

WHEREAS, Senate Bill 123, known as the technical fix bill, passed the 25<sup>th</sup> Legislature and requires that employer defined benefit plan contribution rates be calculated upon the full payroll of employees in both the defined contribution and the defined benefit plans; and

WHEREAS, Senate Bill 123 also requires that the Board set separate employer defined benefit plan contribution rates for pension and medical contributions; and

WHEREAS, the passage of Senate Bill 123 allows the level percentage of pay funding method to be used which was calculated to be an average rate of 32.51 percent; and

WHEREAS, the 2005 actuarial valuation was initially done using the level percentage of pay method and defined benefit plan contribution rates for each PERS employer are calculated in the June 30, 2005 Buck Consultants PERS Supplement to the Actuarial Valuation Report; and

WHEREAS, the ARMB approved Resolution 2007-19 in support of the passage of Senate Bill 125, which would have set the employer contribution rate for all PERS employers at 22 percent of payroll to cover employer contributions for both the defined benefit and defined contribution plans, requiring the State of Alaska to pay the remainder of the actuarial rate of 32.51 percent for FY 2008 recommended by Buck Consultants; and

WHEREAS, Senate Bill 125 failed to pass the Legislature; and

WHEREAS, the 25th Legislature has passed Senate Bill 53, in which the sum of \$185,000,000 is appropriated from the general fund to the Department of Administration for deposit in defined benefit plan accounts in the PERS system as partial payment of participating PERS employers' contributions for FY 2008; and

WHEREAS, it is the Legislature's intent in Senate Bill 53 that the appropriated \$185,000,000 is the amount required to set the effective employer contribution rate of all PERS employers for FY 2008 as indicated in the June 30, 2005 Buck Consultants PERS Supplement to the Actuarial Valuation Report, at the lower of the level percentage of pay rate approved by the ARMB or 22 percent, but not lower than 14.48 percent, to cover employer contributions for both the defined benefit and defined contribution plans;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Board adopts the level percentage of pay method for funding the unfunded liability of PERS;

BE IT FURTHER RESOLVED, that for FY 2008, if the appropriation of \$185,000,000 in Senate Bill 53 is enacted into law, the Board sets the FY 2008 individual employer contribution rates for the defined benefit plan at the rates set out in the June 30, 2005 Buck Consultants PERS Supplement to the Actuarial Valuation Report, but not lower than 14.48 percent of payroll;

BE IT FURTHER RESOLVED that for 2008, if the appropriation of \$185,000,000 in Senate Bill 53 is enacted into law, the Board sets the FY 2008 effective employer contribution rate to cover employer contributions for both the defined benefit and defined contribution plans at 22 percent of payroll, unless the employer rate set out in the June 30, 2005 Buck Consultants PERS Supplement to the Actuarial Valuation Report, is lower than 22 percent, in which case the effective employer contribution rate to cover employer contributions for both the defined benefit and defined contribution plans is the rate set out in the 2005 Supplement but not lower than 14.48 percent of payroll; an employer whose defined benefit contribution rate is greater than 22 percent of total payroll shall have the difference between the greater rate and 22 percent paid by the State of Alaska on behalf of the employer from the appropriation of \$185,000,000;

BE IT FURTHER RESOLVED that for FY 2008 it is the intention of the Alaska Retirement Management Board that the total of the employer contributions for the PERS defined benefit and defined contributions plans taken together with the appropriation of \$185,000,000 will equal the PERS employers' total annual required contribution under the level percentage of pay methodology plus the PERS employers' total contribution required to the defined contribution plan;

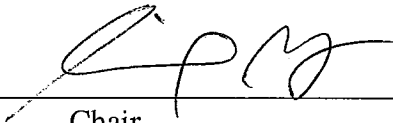
BE IT FURTHER RESOLVED that Division of Retirement and Benefits is directed to notify immediately the Alaska Retirement Management Board and the Legislature should it determine that the total of the employer contributions taken together with the appropriation of \$185,000,000 will not equal the PERS employers' total annual required contribution for the PERS defined benefit and defined contributions plans under the level percentage of pay methodology;

BE IT FURTHER RESOLVED that the Board delegates to the PERS Administrator the responsibility for segregating the employer contribution rate for each employer into the respective pension and medical contribution rates as required by Senate

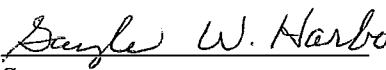
Bill 123; within that delegation, the Board directs the PERS Administrator to coordinate such segregation of the employer contribution rate with the Department of Revenue so that the Department of Revenue may prepare an appropriate asset allocation for system funds for the Board's consideration;

BE IT FURTHER RESOLVED that the Board requests the Division of Retirement and Benefits to promptly notify PERS employers of their contribution rates and their effective contribution rates under this resolution.

DATED at Anchorage, Alaska this 14<sup>th</sup> day of June, 2007.

  
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Chair

ATTEST:

  
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Secretary